

NATIONAL TREASURY ANNUAL REPORT 2020/21

BRIEFING TO THE STANDING
COMMITTEE ON FINANCE

17 NOVEMBER 2021



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



**STAY
SAFE**

VACCINATE TO SAVE SOUTH AFRICA

NATIONAL TREASURY (NT) MANDATE

Mandate		<p>Vision:</p> <p>National Treasury strives to be professional, courageous and trusted, working in partnership to mobilise resources, to improve the living standards of South Africans.</p> <p>We aspire to excellence in the quality of our analysis, advice and execution of our financial management responsibilities.</p> <p>Mission:</p> <p>As custodians of the nation's financial resources we oversee the management of public finances, we maintain the stability of the macro-economic and financial sectors and we ensure the effective financial regulation of the economy. We embrace innovation and sustainability as we strive to realise the full potential of South Africa's economy and people. In doing this, we value and invest in our staff, hold them accountable, recognise each contribution and celebrate our diversity.</p>	NT reports to MTSF:		
Chapter 13 of the Constitution			Priority 1	Priority 2	Priority 3
Chapter 2 PFMA			<p>Capable, ethical and developmental state.</p>	<p>Economic transformation and job creation.</p>	<p>Education, skills and health.</p>
<p>Coordinating intergovernmental financial and fiscal relations.</p>	<p>Enforcing transparency and effective management in respect of revenue and expenditure, assets and liabilities, public entities, and constitutional institutions.</p>				
<p>Promoting national government's fiscal policy and the coordination of its macroeconomic policy.</p>	<p>Managing the budget preparation process.</p>		Priority 5		Priority 7
<p>Ensuring the stability and soundness of the financial system and financial services.</p>		<p>Spatial integration, human settlements and local government.</p>		<p>A better Africa and world.</p>	

2020/21 AUDIT REPORT KEY MATTERS

The department received an unqualified audit opinion with emphasis of matter paragraphs

IMPROVEMENT TO THE CONTROL ENVIRONMENT ACHIEVED

- Quality of submitted performance information with no material findings identified relating to the Annual Performance Report
- Improvement in Supply Chain Management
- Improvement in SCM: Transversal Contracts
- Improvement in Governance in the area of Risk Management and Audit Committee
- Improvement in ICT

AREAS THAT REQUIRE STRENGTHENING

- Annual financial statements
 - Material misstatements were identified during the audit. This continues to be a challenge however the root causes have been identified and the implementation of remedial steps are being prioritised
- Fruitless and wasteful expenditure
 - An amount of R67 million was incurred for technical support maintenance of software licences for the IFMS which continued contestation between AGSA and NT, but has been disclosed as Fruitless and Wasteful Expenditure.
- Irregular expenditure
 - The Department disclosed a closing balance of R300,247 at year end which is a reduction of R87 986 on the previous year

DETAILED IRREGULAR EXPENDITURE AS AT 31 MARCH 2021

FINANCIAL YEAR IDENTIFIED	STATUS	AMOUNT R'000	NUMBER OF CASE
Prior 2019/20	Investigations complete consequence management in various stages of completion	278 070	8
2019/20	Investigations completed condonation in progress	5 710	2
Occurred in 2019/20 detected in 2020/21	Investigations underway	2 057	2
2020/21	Investigations initiated	14 410	6
Closing balance at 31 March 2021		300 247	18

IFMS SYSTEM PROGRESS

PROGRAMME PHASE	MILESTONE	DUE DATE	RAG INDICATOR	CURRENT STATUS
Phase 1	Procurement of licences		Completed	
Phase 2A	– Envision (Architecture Planning & Strategy)		Completed	
Phase 2B	– Accelerated implementation of e-Recruitment to NT & DPSA – Configuration of generic system initiated at NT & DPSA	April 2022	In Progress	This phase is delayed due to unsuccessful procurement. Bid cancelled due to proposed price exceeding budgeted amount. Consultations with stakeholders to explore alternative options of procurement and implementation is underway.
Phase 2C	– Accelerated Implementation of e-Recruitment to EC&WC Provincial Treasuries – Implementation of Planning and Budgeting modules – IFMS System implemented at NT, DPSA, EC & WC Provincial Treasuries	April 2023	In Progress	This phase is running in parallel with Phase 2B. Noting the risk of being impacted on the delays in procurement.
Phase 3	– National Rollout	April 2024	Not Started	In 2018, NT embarked on a procurement process through SITA for the establishment of a panel of system implementers for national roll-out. NT BAC conducted due diligence on the procurement/bid, in Dec 2020 BAC resolved that the panel not be recommended to the Accounting Officer for appointment. The bid was subsequently cancelled in response to the outcome of the due diligence. Preparations are underway for establishment of a new panel.

IFMS GOVERNANCE STRENGTHENED

WHAT HAS BEEN ACHIEVED TO DATE

- The project has been capacitated with the appointment of the Chief Director: IFMS.
- The project partnership arrangements have been refined to include the strategic stakeholder departments (NT,DPSA,DTPS) in the strategic structures of the IFMS and correctly place service delivery partner entities (SITA) in operational structures.
- Increased oversight over by the IFMS Key Governance Structures which has expedited decision making between the IFMS government partners addressing long outstanding matters thus removing obstacles to execution.
- The overhauling of governance has resulted in amongst others the baselining of the project
- An accelerated implementation approach has been adopted that allows for flexibility to implement modules simultaneously with the full system implementation.
- The license technical support is in use and in order to increase utilisation, the rationalisation of Oracle Licences in use across national and provincial departments is underway. Oracle licenses in these departments which are available in the IFMS licence inventory will no longer be required to pay for software licence support fees if the licenses are also part of the stack purchased by NT to avoid duplication of costs in the public service.
- A risk management approach has been adopted to address historical challenges and pre-empting the realisation of new challenges.

IFMS – LICENSE MAINTENANCE & TECHNICAL SUPPORT

WHY LICENCES MAINTENANCE & TECHNICAL SUPPORT WAS RENEWED:

- Technical support is an essential requirement during the implementation stage of the IFMS.
- To ensure uninterrupted implementation of the program including
 - access to the most updated version of the licenses and security patches, specialised priority of technical problem solving, support to SITA for hosting services, access to tools, scripts, data collection, knowledge platforms and advisor Webcasts.

CONSEQUENCE FOR NON RENEWAL OF LICENSES MAINTENANCE & TECHNICAL SUPPORT:

- From the onset NT secured a 98.25% discount from Oracle when the contract was entered
- Failing to renew technical support carries punitive measures at the time such technical support is required,
 - **A reinstatement fee of 150%** of the net technical support fee that would have been charged prorated back to the original order date,
 - In addition the **maintenance and technical support fee for the period from contract signature to use date will need to be paid**
- The issues of wasteful expenditure on license maintenance & technical support remains contested.

IFMS CONSEQUENCE MANAGEMENT

NT is fully cooperating with all IFMS investigations

DISCIPLINARY ACTION:

- Disciplinary action recommended in respect of four officials
- Disciplinary action against one official not possible since no longer in the public service. Official left NT before disciplinary action was recommended
- Following NT's request, former NT official, now employed at another public service institution, was disciplined
- Disciplinary actions in respect of two NT officials are underway. Hearing notices issued in July 2021, pre-hearing postponed twice due to employees' requests. Pre-hearing is set for 25 November 2021

CIVIL RECOVERY:

- Litigation by a service provider against NT is pending – awaiting hearing date
 - NT filed counterclaim for amounts due
- SIU investigation underway and its processes will indicate if recovery from any business or individual is warranted

EFFECTIVE AUDIT ACTION PLAN MONITORING FRAMEWORK

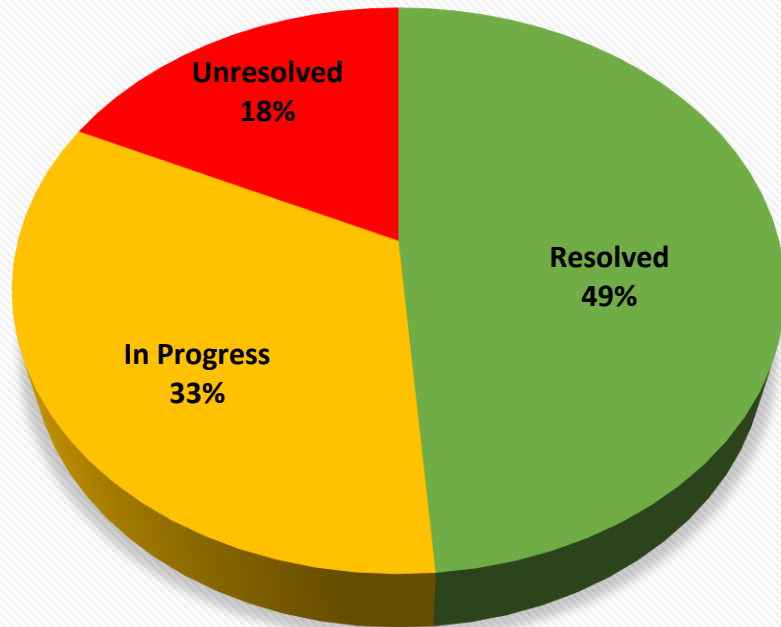
- Reduction of repeat audit findings achieved
- Audit Action Plans Steering Committee chaired by DDG: CS and includes the CFO, Acting CAE, CD:SPM&E and CRO exercising oversight over implementation of audit findings action plans by divisions, implementation of the AGSA recommendation as well as implementation of corrective measures.
- Internal Audit Unit verifies the actions taken by Business Units and provides assurance whether the audit action plan has appropriately addressed the audit findings.
- The Steering Committee provides the Accounting Officer with a detailed progress report on actions taken to address findings and gaps identified in departmental processes.
- Additional quality assurance processes have been introduced in the preparation of the quarterly and annual financial statements with a greater emphasis on the review process with additional capacity added

AUDIT ACTION PLAN EXTRACT

National Treasury REPUBLIC OF SOUTH AFRICA	Class	Finding Description	Root cause	Recommendation	Repeat finding	
(Mgmt Ent)	Division	Unit				
2	CS	FM	Effective and appropriate steps were not taken to prevent irregular expenditure	Management did not put adequate measures in place to prevent the non-compliance with SCM prescripts.	<p>Management should strengthen review of compliance with the SCM prescripts in order to prevent the re-occurrence of irregular expenditure.</p> <ul style="list-style-type: none"> Compliance checklists should be implemented with updated SCM requirements to ensure that prescripts are complied with for procurement. 	Yes

Action Plan	Implementation date	Responsible Official	Management status update - 30 September	IA comment - 30 September	Findings Register Current Status
<p>Preventative controls:</p> <p>- The internal control unit within the office of the CFO will assist the supply chain unit to review and augment the control environment around compliance by reviewing compliance review checklist and other review procedures, to ensure that non-compliance is detected and corrected before bids and quotations are finalized.</p> <p>- Conducting awareness campaigns within the department to ensure that employees are notified that consequence management processes (Awareness letters and disciplinary proceedings may be instituted against employees who are found to be responsible for irregular expenditure incurred</p>	31-Mar-2022	<p>SCM compliance review:</p> <ul style="list-style-type: none"> Internal control unit SCM <p>IE Investigation and consequence management:</p> <ul style="list-style-type: none"> Internal control unit Internal audit function 	<p><u>The following actions have been effected by management:</u></p> <p>Quarterly reviews to identify irregular expenditure will be conducted by the Internal Control Unit. The review for the 1st and 2nd quarter and the final report will be issued during November 2021. This will consist of detailed review of the following</p> <ul style="list-style-type: none"> Payment batches from the beginning of the 2021/22 financial year until 30 Sep 2021. Contracts awarded Contracts that have been cancelled or expired (If any payments were made after cancellation or expiry date) Contracts that have been extended or where variation orders have been submitted for approval. Contracts where the contract amount has been exceeded 	<p>Follow up will be performed after the 1st & 2nd quarter reports have been issued. Internal Audit is also assisting CFO office to do their assessment and determination test ensure that they speedily resolve irregular expenditure.</p>	In Progress

STATUS OF AUIT FINDINGS FOR THE FINANCIAL YEAR 2020/21 (Sept)



Business unit	Resolved	In progress	Unresolved	Total
Corporate Services - Internal Audit	0	1	0	1
Corporate Services - ERM	1	0	0	1
Corporate Services - Financial Management	6	6	0	12
Corporate Services - Human Resources Management	0	2	0	2
Corporate Services - Information Technology	2	2	2	6
Corporate Services - Supply Chain Management	1	0	1	2
OCPO	9	0	4	13
Office of the Accountant-General - IFMS	0	1	0	1
SPM&E	0	1	0	1
Totals	19	13	7	39

HUMAN CAPITAL VACANCY RATE

PROGRAMME	NUMBER OF FUNDED POSTS	HEADCOUNT	VACANCY RATE
Programme 1	308	252	18.18
Programme 2	103	78	24.27
Programme 3	271	230	15.12
Programme 4	106	93	12.26
Programme 5	257	220	14.39
Programme 6	33	29	12.12
Programme 7	0	0	0
Programme 8	0	0	0
Total	1078	902	16.32

FILLING OF VACANCIES

SALARY BANDS	NUMBER OF POSTS	HEADCOUNT	NUMBER OF VACANT POSITIONS	VACANCY RATE %	# OF POSTS FILLED ADDITIONAL TO ESTABLISHMENT
Lower skilled (Levels 1-2)	0	0	0	0	0
Skilled (Levels 3-5)	48	40	8	16.66	0
Highly skilled production (Levels 6-8)	289	264	25	8.65	83
Highly skilled supervision (Levels 9-12)	567	473	94	16.57	39
Senior management (Levels 13-16)	302	253	49	16.22	6
Total	1 206	1030	176	14.59	128

FILLING OF VACANCIES

REASONS FOR THE HIGH VACANCY RATE AS AT 31 MARCH 2021:

- Long term management of the departments COE
- Developing the departments critical skills list and prioritising accordingly
- Mindful of the current organisational review
- Delays in advertising positions due to amendments in the process by DPSA since start of lockdown
 - Since the President announced the National Lockdown in March 2020, the Department of Public Service and Administration (DPSA) issued a Directive on how the publication of its National advertisement circular will be affected replacing the normal publication arrangements.
 - On 14 May 2020, the Minister of Public Service and Administration (MPSA) issued a Directive advising Heads of Departments on the new arrangements for the publication of advertisements until the easing of lockdown.
 - This Directive was followed by a notice published on 12 October 2020 by the Director-General of the DPSA amending and supporting the new arrangements published by the MPSA.

FILLING OF VACANCIES

SALARY BANDS	NUMBER OF VACANT POSITIONS	CURRENT STATUSES OF POSITIONS
Lower skilled (Levels 1-2)	0	No action required
Skilled (Levels 3-5)	8	Of the 8 positions, only 2 are currently being recruited for as they have a bearing on the departments' safety and security i.e. Security Officers
Highly skilled production (Levels 6-8)	25	10 of these positions are in active recruitment process at various stages
Highly skilled supervision (Levels 9-12)	94	49 of these positions are at various recruitment stages while 36 still in the process of advertising
Senior management (Levels 13-16)	49	41 of these positions are currently at various stages of the recruitment process
Total	176	

MINISTER OF FINANCE OVERSIGHT ROLE AS PER VARIOUS PUBLIC ENTITIES INCORPORATION LEGISLATION

- Ensure the achievement of PEs mandates and government policy objectives in a financially sustainable manner.
- Monitor PEs compliance with the legislative (PFMA, SARS Act, Proclamations, etc.) Corporate Governance codes).
- Public Entities Oversight Unit, ALM, TFSP, provides technical support to the Minister of Finance in discharging oversight
- Ensure that PEs implement effective, efficient and transparent financial management and internal control systems.
- Enhance compliance with the prescripts by quarterly reviews of PEs performance and instruction to close identified gaps within agreed timelines.

PUBLIC ENTITIES	ENABLING LEGISLATION
Accounting Standards Board	Public Finance Management Act
Cooperative Banks Development Agency	Cooperative Banks Act
Financial Advisory and Intermediary Services Ombud	Financial Advisory and Intermediary Services Act
Financial and Fiscal Commission	Financial and Fiscal Commission Act
Financial Intelligence Centre	Financial Intelligence Act
Financial Sector Conduct Authority	Financial Sector Regulation Act
Government Pensions Administration Agency	Public Service Act – Proclamation 103 of 1994
Government Technical Advisory Agency	Public Service Act – Proclamation 103 of 1994
Independent Regulatory Board of Auditors	Auditing Profession Act
Office of the Pension Funds Adjudicator	Pension Funds Act
Office of the Tax Ombud	Tax Administration Act
South African Revenue Service	South African Revenue Services Act

KEY OBSERVATIONS FROM 2020/21 PUBLIC ENTITIES' ANNUAL REPORTS

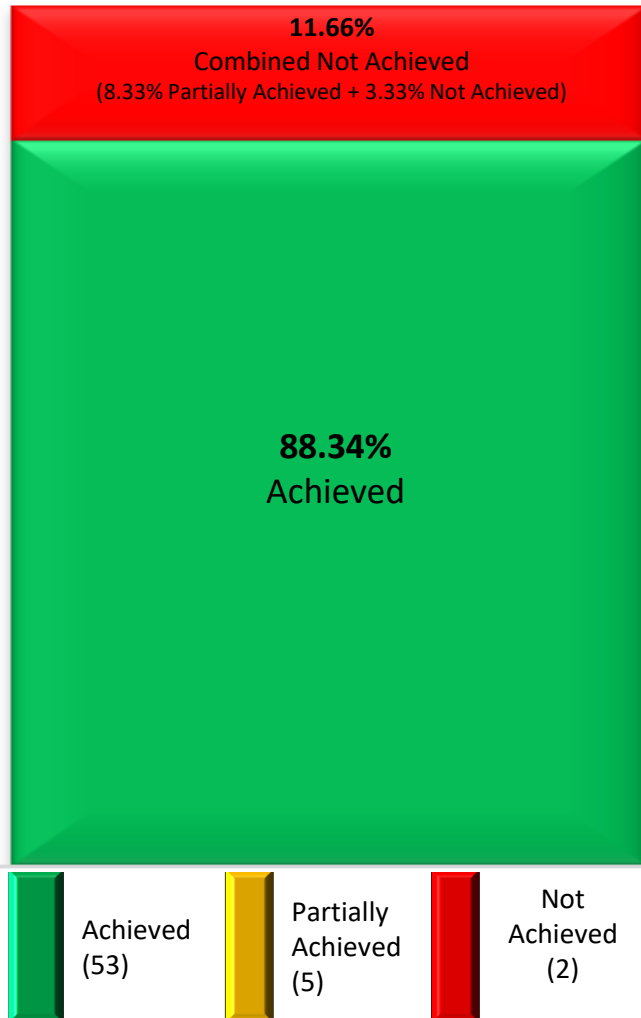
- All the PEs are required to include achievement of a clean audit as a Key Performance Indicator.
- In an event that Auditor-General South Africa has identified major areas for findings such as weak internal controls, non-compliance with regulations, and failure by management to implement corrective actions in an event of violations of prescripts, the Minister has promptly instructed the Accounting Officers/Authorities to implement remedial actions to prevent recurrence.
- The aggregate total identified fruitless & wasteful, irregular and unauthorised expenditure has decreased by 52% from R204.726 million in 2020 to R99.204 million in 2021 million. This was achieved as a result of PEs implementing mitigation actions to prevent the recurrence of fruitless & wasteful and irregular expenditure .
- PEs achieved an average of 63% measured KPIs, 20% were partially met and 17% were not met. All PEs recorded corrective measures to be taken where KPIs were not met

Details	2019/20	2020/21	Movement
	Audit Opinion	Audit opinion	
ASB	Unqualified	Unqualified	Green
CBDA	Qualified	Unqualified with emphasis of matters	Yellow
FAIS	Unqualified	Unqualified	Green
FFC	Unqualified with emphasis of matters	Unqualified with emphasis of matters	Yellow
FIC	Unqualified with emphasis of matters	Unqualified	Green
FSCA	Unqualified	Unqualified	Green
GPAA	Unqualified with emphasis of matters	Unqualified with emphasis of matters	Yellow
GTAC	Unqualified with emphasis of matters	Unqualified with emphasis of matters	Yellow
IRBA	Unqualified	Unqualified with emphasis of matters	Red
OPFA	Unqualified	Unqualified	Green
SARS	Unqualified with emphasis of matters	Unqualified with emphasis of matters	Yellow
Progressed	Stagnant	Regressed	

LAND BANK

- Finalisation of liability solution under way.
- Audit of annual financial statements currently underway with an anticipated finalisation by December 2021.
- The government as the shareholder has committed various funding to the bank in order to cure the Bank of its default status and re-establish its development and transformation (D&T) mandate.
- Despite still being in the default, the Land Bank has managed to maintain interest payments to all its lenders and has repaid about 28% of capital outstanding over the last 18 months.
- The gross loan book decreased from R36.9 billion to R33.2 billion in the first quarter, a decrease of 11%.
- The Land Bank Group recorded a net profit of R293.5 million against the budgeted loss of R170.1 million in the first quarter.
- The Land Bank has a pipeline of potential third party funding which requires the Bank to match the funding provided by these third parties.

2020/21 PERFORMANCE ACHIEVED BY TOTAL NUMBER OF INDICATORS



Division	Total number of targets	%Achieved	%Partially Achieved	%Not Achieved
Economic Policy	3	100.00%	0.00%	0.00%
Tax and Financial Sector Policy	2	100.00%	0.00%	0.00%
Budget Office	1	100.00%	0.00%	0.00%
Intergovernmental Relations	7	85.71%	14.29%	0.00%
Public Finance	2	100.00%	0.00%	0.00%
Assets and Liability Management	13	100.00%	0.00%	0.00%
Office of the Accountant General	7	57.14%	28.57%	14.29%
Office of the Chief Procurement Officer	5	60.00%	20.00%	20.00%
International Financial Relations	6	100.00%	0.00%	0.00%
Civil Military Pensions, Contributions to Funds and Other Benefits	3	100.00%	0.00%	0.00%
Administration	4	100.00%	0.00%	0.00%
Jobs Fund	7	85.71%	14.29%	0.00%

AUDIT OF PREDETERMINED OBJECTIVES

Selected programmes and findings

PROGRAMME	FINDINGS
Programme 5: Financial Accounting and Supply Chain Management System	AGSA did not identify any material findings on the usefulness and reliability of the reported performance information for this programme.

PROGRAMME 1: ADMINISTRATION

Annual Report pages 76-87. APR pages 84-87

ACHIEVED – 100.00%

90% of ICT service delivery standards met

Unqualified audit opinion with 37.7% fewer findings than 2019/20 on financial performance information. Above the planned 25%

Unqualified audit opinion with 100% fewer findings than 2019/20 on non-financial performance information. Above the planned 25%

Level 3.9 of the Risk Management Maturity achieved. Above the planned 3

50.6% of training and development budget spent. Above the planned 25%

Programme Purpose:

Ensure effective leadership, strategic management and administrative support to the National Treasury through continuous refinement of organisational strategy and structure in line with appropriate legislation and best practice.

PROGRAMME 2: ECONOMIC POLICY, TAX, FINANCIAL REGULATION AND RESEARCH

Annual Report pages 88-94. APR pages 92-94

ACHIEVED – 100.00%

64 papers published through Southern Africa – Towards Inclusive Economic Development (SA-TIED) programme. Above the planned 50.

Financial sector legislation submitted for tabling in Parliament

Tax legislation submitted for tabling in Parliament

4 economic forecasts developed

100% completion of the macroeconomic framework review according to approved project plan

Programme Purpose:

Provide specialist policy research, analysis and advisory services in the areas of macroeconomics, microeconomics, taxation, the financial sector and regulatory reform

PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT

Annual Report pages 95-121. APR pages 114-121

ACHIEVED – 88.24%

Appropriation Bill, ENE and Budget Review published in February

Adjustments Appropriation Bill, AENE and MTBPS published in October

3 Division of Revenue and Division of Revenue Amendment Bills published annually. Above the planned 2

3 reforms introduced to enhance provincial and local government fiscal frameworks

6 capital investment framework (BEPP) assessment reports produced

61 catalytic projects approved in spatially targeted areas within metropolitan cities, secondary cities and rural towns. Above the planned 20

8 quarterly financial reports published

100% of requests to draft financial recovery plans responded to within 90 days of receipt

100% of Cabinet memos received commented on

4 quarterly expenditure reports submitted to the Standing Committee on Appropriations

151 Jobs Fund projects approved (cumulative across the term of the project). Above the planned 150

R8 664m grant funding approved (cumulative across the term of the project). Above the planned R7 880m

R13 600m matched funding committed (cumulative across the term of project). Above the planned R7 880m

177 213 new jobs contracted (cumulative across the term of project). Above the planned 150 000

Programme Purpose:

To provide analysis and advise on fiscal policy and public finances, intergovernmental financial relations, expenditure and planning priorities. Manage government's annual budget process and provide public finance management support.

PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT

Annual Report pages 95-121. APR pages 114-121

ACHIEVED – 88.24%

82 037 placements contracted (cumulative across the term of project). Above the planned 80 000

306 747 training opportunities contracted (cumulative across the term of project). Above the planned 250 000

PARTIALLY ACHIEVED – 11.76%

35 infrastructure plans assessment reports produced. Below the planned 36

R5 687m value of grant funding disbursed (cumulative across the term of project). Below the planned R5 778m

Programme Purpose:

To provide analysis and advise on fiscal policy and public finances, intergovernmental financial relations, expenditure and planning priorities. Manage government's annual budget process and provide public finance management support.

PROGRAMME 4: ASSET AND LIABILITY MANAGEMENT

Annual Report pages 122-128. APR pages 126-128

ACHIEVED – 100.00%

100% of complete corporate plans received from Schedule 2 and 3B public entities reviewed
100% of annual reports received from Schedule 2 and 3B public entities reviewed
100% of complete PFMA Section 51(g), 52, 54(2), 55, and 92 applications received from Schedule 2 and 3B public entities reviewed
100% of complete review requests of borrowing limit applications relating to Schedule 2 and 3B public entities reviewed
100% of complete guarantee applications received from Schedule 2 and 3B public entities reviewed
100% of complete remuneration review requests of executive and non-executive directors received from Schedule 2 and 3B public entities reporting to the Minister of Finance reviewed
100% of complete board appointments recommendations received from Schedule 2 and 3B public entities reporting to the Minister of Finance reviewed
100% of received MFMA submissions relating to tariff adjustments received from Schedule 2 and 3B public entities reviewed
100% of government's annual gross borrowing requirement met
100% of interest and redemptions met
100% of government's liquidity requirements met
100% compliance with market and refinancing risks benchmarks
4 reports on the management of government's contingent liabilities

Programme Purpose:

Manage government's annual funding programme in a manner that ensures prudent cash management, an optimal portfolio of debt and other fiscal obligations. Promote and enforce the prudent financial management of SOEs through financial analysis and oversight

PROGRAMME 5: FINANCIAL ACCOUNTING AND SUPPLY CHAIN MANAGEMENT SYSTEMS

Annual Report pages 129-149. APR pages 142-149

ACHIEVED – 58.33%

19 norms and standards developed. Above the planned 9

99.9% availability of transversal systems. Above the planned 98

20 statutory reports produced. Above the planned 18

100% of SCM directives approved

100% of the support Implementation plan on identified or prioritised institutions in order to improve SCM performance

41 transversal term contracts implemented. Above the planned 28

73 Technical advisors placed at National Treasury, provincial treasuries and municipalities through the Municipal Finance Improvement Programme (MFIP). Above the planned 70

PARTIALLY ACHIEVED – 25.00%

48 governance reports produced. Less than the planned 95

18 public finance management capacity development programmes progress reports produced. Less than the planned 28

59% implementation of the strategic sourcing opportunities plan. Less than the planned 100%

NOT ACHIEVED – 16.67%

Execution of Common Design and procurement of supporting services not achieved

1 quarterly compliance report produced. Less than the planned 4

Programme Purpose:

Facilitate governance and accountability by promoting and enforcing the transparent, economic and effective management of revenue, expenditure, assets, liabilities and supply chain processes in the public sector

PROGRAMME 6: INTERNATIONAL FINANCIAL RELATIONS

Annual Report pages 150-157. APR pages 156-157

ACHIEVED - 100%

100% of economic surveillance reports responded to

1 advocacy forum hosted for uptake of development finance

3 country partnership framework progress reports produced

2 engagement strategies and priorities developed

1 analysis report on the outcomes of South Africa's engagements in regional and global forums produced

100% of policy positions developed

Programme Purpose:

Manage South Africa's interests in shaping regional and global policies that advance the economic, financial and development objectives of the country and Africa

PROGRAMME 7: CIVIL MILITARY PENSIONS, CONTRIBUTION TO FUNDS AND OTHER BENEFITS

Annual Report pages 158-161. APR pages 160-161

ACHIEVED - 100%

100% of benefits validated for payment paid within liable dates. Above the planned 96%

100% fewer fraudulent claims than 2019/20. Above the planned 90%

100% integrity of client data. Above the planned 90%

Programme Purpose:

Provide for government's pension and post-retirement medical benefit obligations to former employees of state departments and bodies. Provide for similar benefits to members of the military

HUMAN CAPITAL

Vacancy Rate of **14.59%** achieved (headcount of 1030 which includes contractors and additional to staff establishment)

Total Staff Compliment of 1 030 of which 89% are black, 59% female and 0.87% of the NT total staff compliment are persons with disabilities as at 31 March 2021

A total of 18 promotions were made

96.1% of SMS members entered into a performance agreements. Those who did not sign a performance agreement were issued with letters of intention to institute disciplinary process and will not be eligible for any performance reward

22% of employees participated in skills development and leadership programmes. The uptake was low as the 2020/21 financial year was severely affected by hard lockdowns as a result of COVID-19. The momentum towards online and virtual training only picked towards the end of the financial year.

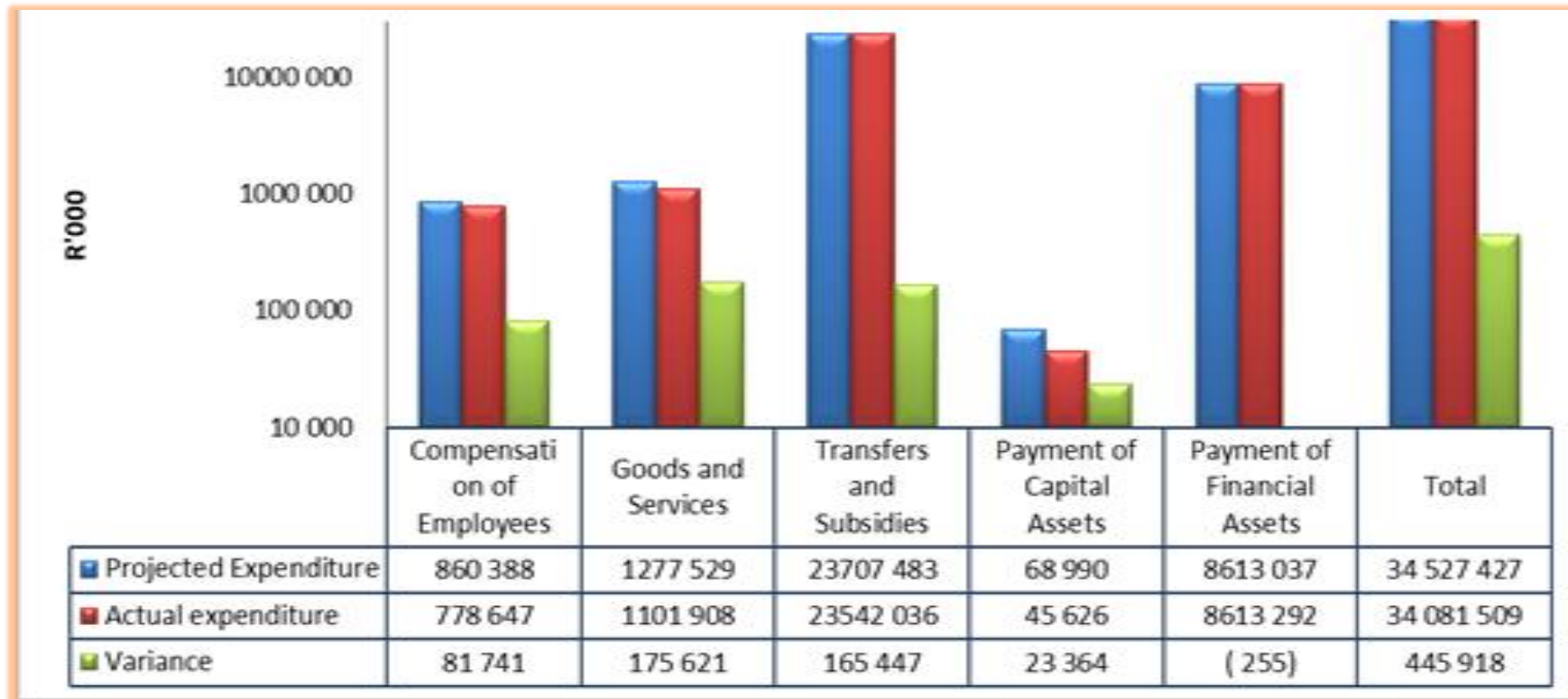
AUDITED FINANCIAL PERFORMANCE AS AT 31 MARCH 2021

PROGRAMMES	Final Appropriation	Actuals as at	Variance	% Spent
	2020/21	31 March 2021	2020/21	2020/21
	R'000	R'000	R'000	R'000
Administration	529 287	496 344	32 943	94%
Economic Policy, Tax, Financial Regulation and Research	141 919	124 730	17 189	88%
Public Finance and Budget Management	2 802 790	2 697 173	105 617	96%
Asset and Liability Management	3 035 331	3 022 589	12 742	100%
Financial Accounting and Supply Chain Management Systems	835 719	696 627	139 092	83%
International Financial Relations	6 650 492	6 640 502	9 990	100%
Civil and Military Pensions, Contributions to Funds and Other Benefits	5 317 128	5 188 783	128 345	98%
Revenue Administration	10 271 873	10 271 873	-	100%
Financial Intelligence and State Security	4 942 888	4 942 888	-	100%
Total	R34 527 427	R34 081 509	R445 918	99%

Compensation Of Employees	R860 389	R778 647	R81 742	90%
Goods And Services	R1 267 594	R1 102 147	R165 447	87%
Transfers and Subsidies	R23 717 418	R23 541 797	R175 621	99%
Machinery And Equipment	R68 989	R45 626	R23 363	66%
Payments For Financial Asset	R8 613 037	R8 613 292	-R255	100%
Total	R34 527 427	R34 081 509	R445 918	99%

2020/21 SPENDING OUTCOME

Actual expenditure for the 2020/21 year was R34.082 billion (99%) compared to the final appropriation of R34.527 billion. This reflects an underspending of R445.9 million. The actual expenditure vs the final appropriation per economic classification is as follows:



REASONS FOR VARIANCE 2020/21

Compensation of Employees: The under-spending of R81.7 million was due to vacant positions, the non implementation of the performance bonuses and the suspension on the implementation of the COLA.

Goods and Services: The R175.6 million under-spending was due to:

- ***Integrated Financial Management System (IFMS)*** Project was related to the delayed appointment of a service provider for services rendered by the State Information Technology Agency (SITA.
- ***Specialised*** to implement the Common Design phase of the project as well as the invoice the was outstanding ***Audit services*** was due to the delayed appointment of a panel of forensic investigating firms resulting from the impact of the lockdown restriction due to the covid-19 pandemic. The underspending was surrendered to the fiscus.
- ***Employment Creation Facilitation Fund (ECFF)*** was as a result of the freezing of the public sector wage bill, as well as the delays in contracting service providers and finalising deliverables which triggers the release of payments to service providers. The underspending was surrendered to the fiscus.
- ***Government Pensions Administration Agency (GPAA)*** admin claims for previous months due to the time and effort needed to validate files for accuracy and completeness before payment can be authorised. The outstanding claims was deferred to be processed in the 2021/22 financial year. The underspending was surrendered to the fiscus.
- ***Travel and subsistence*** was due to the suspension of domestic and international travel due to the COVID-19 pandemic outbreak. The underspending was surrendered to the fiscus.

REASONS FOR VARIANCE 2020/21

Transfers and Subsidies: The main components of the R165.4 million under-spending related to:

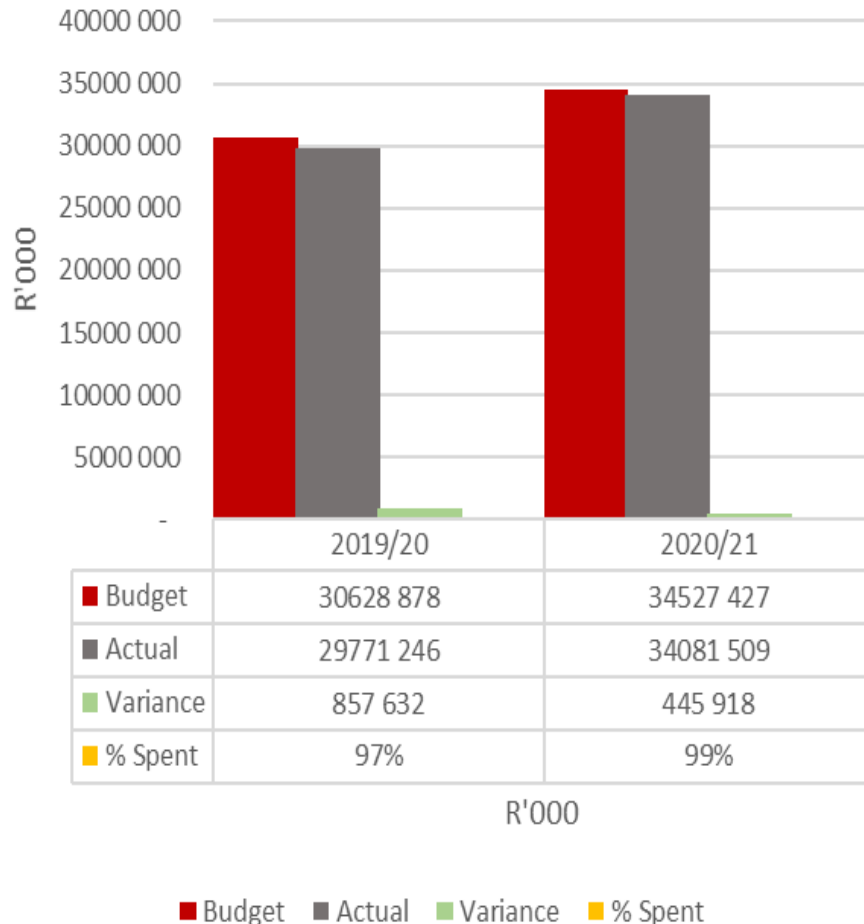
- ***Post retirement medical benefits*** due to a lower than anticipated number of arrear claims on medical subsidies received at the time as well as a high rate of mortality on principal members resulting in lower medical subsidies processed. The underspending was surrendered to the fiscus.
- ***Jobs Fund grant:*** The Jobs Fund partners requested an amount of R3.8 million in March 2021 as opposed to the initially planned disbursement of R40 million. This was due to matching projects with the partners. In addition, several projects were not able to meet the conditions for the disbursements and as a result the payments were not processed as planned
- ***Government Technical Advisory Centre (GTAC)*** in respect of the allocation that was appropriated for support on infrastructure planning. The project could not be executed due to the pending approval of the Memorandum of Agreement between GTAC and NT. It is anticipated that the project will be executed in the 2021/22 financial year.

Payment of Capital Assets: The underspending of R23 million is mainly within CD: SCM ICT relating to the replacement of the Back-Up Solution hardware and laptops which could not be delivered due to unanticipated world wide delays from the OEM's.

Payment for Financial Assets: Had an over-spending of R255 000 due to irrecoverable debt that was written off in the current financial year. The overspending was offset against the department's underspending.

YEAR ON YEAR COMPARISON

Year on Year Comparison



Economic Classification	2019/20 Audited Outcome	2020/21 Audited Outcome	YoY %Growth
Compensation of employees	804 819	778 647	-3,3%
Goods and services	1 209 565	1 102 147	-8,9%
Transfers and subsidies	23 469 491	23 541 797	0,3%
Payments for capital assets	13 555	45 626	236,6%
Payments for financial assets	4 273 816	8 613 292	101,5%
Total	29 771 246	34 081 509	14,5%

- **Transfers and Subsidies** is the 1st large spender which constitute 69% of the total spending. This is a largely on transfers to (1) Public Entities such as SARS, FIC, FFC etc, (2) the Secret Services, (3) foreign transfers such CMA, AfDB and WB, (4) households transfers on Civil Pensions such as PRMB, Special Pensions and Injury on Duty etc, (5) Conditional grants to municipalities such as NDPG, ISDG, ICDG and LGFMG.
- **Payment for Financial Asset** is the 2nd largest spender mainly due to the Capital instalment to the New Development Bank for the BRICS bank, World Bank and African Development Bank for the acquisition of shares as well as the Recapitalisation to the Land bank in 2020/21 FY.
- The **underspending** on both financial years was largely on the Integrated Financial Management Systems (IFMS), the Post-Retirement Medical Benefit (PRMB), Compensation of employees as well as the Municipal Revenue Management Improvement Programme (MRMIP) in 2019/20.

THANK YOU

BRIEFING TO THE STANDING COMMITTEE ON FINANCE

16 NOVEMBER 2021



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

